

Message Text

LIMITED OFFICIAL USE

PAGE 01 LONDON 05300 01 OF 02 051441Z POSS DUPE
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 NRC-05 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 DOEE-00 /133 W
-----123584 051547Z /46

P R 051432Z APR 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 4807
INFO AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY OSLO

LIMITED OFFICIAL USE SECTION 01 OF 02 LONDON 05300

USEEC

E.O. 11652: N/A
TAGS: ENRG, UK
SUBJECT: CHANGES IN BRITISH OIL LICENSING

1. BEGIN UNCLASSIFIED. BEGIN SUMMARY. BNOC HAS BEEN
GIVEN FIRST REFUSAL ON ALL PRE-FIFTH ROUND OIL LICENSE
TRANSFERS AND HAS BEEN AWARDED NINE EXPLORATION LICENSES
WHICH WERE NOT OFFERED TO PRIVATE COMPANIES. THE SIXTH
ROUND OF EXPLORATION LICENSES IS ANNOUNCED FOR THIS YEAR
END SUMMARY.

2. ENERGY SECRETARY BENN ANNOUNCED TODAY THAT THE
BRITISH NATIONAL OIL CORPORATION (BNOC) AND BRITISH GAS
WILL NOW FOR THE FIRST TIME HAVE THE FIRST OPPORTUNITY
OF NEGOTIATING TO ACQUIRE ANY INTEREST IN FIRST TO FOURTH
ROUND LICENSES THAT AN EXISTING HOLDER WISHES TO DISPOSE
OF BY TRANSFER. ONLY AFTER "A GENUINE ATTEMPT AT
MEANINGFUL NEGOTIATIONS BY BNOC OR BRITISH GAS AND THE
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(LICENSE HOLDER) HAS FAILED OR BNOC OR BRITISH GAS DOES
NOT WANT TO PURSUE THEM" WOULD APPLICATIONS FOR THE
TRANSFER OF A LICENSE INTEREST TO A PRIVATE SECTOR THIRD
PARTY BE CONSIDERED.

3. ALSO, NEW EXPLORATION LICENSES FOR NINE BLOCKS HAVE
BEEN AWARDED TO BNOC AND ONE TO BRITISH GAS. THESE

BLOCKS ARE AWARDED OUTSIDE THE USUAL LICENSING ROUNDS,
AND PRIVATE COMPANIES HAVE HAD NO OPPORTUNITY TO COMPETE
FOR THEM. THE BLOCKS ARE WIDELY SCATTERED AND INCLUDE
NORTH SEA, THE IRISH SEA, THE SOUTHWESTERN
APPROACHES, AND WEST OF THE SHETLANDS.

4. THE GOVERNMENT'S INTENTION TO HOLD A SIXTH ROUND OF
EXPLORATION LICENSES OPEN TO PRIVATE COMPANIES IS
ANNOUNCED, ALTHOUGH TERMS AND CONDITIONS WILL BE
RELEASED LATER. FORTY BLOCKS WILL BE OFFERED. END
UNCLASSIFIED.

5. BEGIN LIMITED OFFICIAL USE. THE OVERALL POSITION OF
THE STATE-OWNED BNOC IS CLEARLY ENHANCED BY THESE
DEVELOPMENTS. (THE BRITISH GAS ROLE APPEARS LARGELY
UNCHANGED FROM PAST TRENDS; EVEN THE LICENSE TRANSFER
NEGOTIATIONS IN PARA ONE ABOVE ARE LIMITED TO "OR
BRITISH GAS IN SUITABLE CASES".) BNOC'S EXISTING STAKE/
HAS LARGELY BEEN LIMITED TO FIFTH-ROUND PARTICIPATION
AGREEMENTS, SAVE SOME SPECIAL EQUITY ARRANGEMENTS SUCH
AS THE THISTLE FIELD. HERETOFORE, HOLDERS OF LICENSES
FROM THE FIRST FOUR ROUNDS COULD SELL OR TRADE BLOCKS OR
SECTIONS TO OTHER COMPANIES; NOW BNOC WILL HAVE FIRST
REFUSAL ON ALL SUCH TRANSFERS.

6. AN INFORMED SOURCE IN THE UK DEPT. OF ENERGY NOTES
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INFO OCT-01 EUR-12 ISO-00 NRC-05 SOE-02 AID-05 CEA-01
CIAE-00 COME-00 DODE-00 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
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TO SECSTATE WASHDC PRIORITY 4808
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USEEC

THAT BNOC IS NOT EXPECTED TO TAKE THE WHOLE OF EVERY PROPOSAL TRANSFER AND WILL HAVE TO NEGOTIATE OR PAY FOR ITS SHARE. THERE WOULD BE NO PARTICIPATION AGREEMENTS, BUT RATHER BNOC WOULD OFFER TO HELP PAY THE COST OF DRILLING, PAY A PURCHASE PRICE, TRADE, OR OTHERWISE EMPLOY ONE OF THE CONVENTIONAL MEANS OF "FARMING-IN". HOWEVER, BNOC MIGHT ASK FOR A CARRIED INTEREST, WHERE THEY WOULD ASSUME AN OPTION FOR LATER PAYMENT.

7. WE ASKED HOW LONG BNOC'S FIRST NEGOTIATING OPPORTUNITY MIGHT RUN BEFORE PRIVATE COMPANIES COULD HAVE THE CHANCE TO EXPLORE TRANSFERS BEING OFFERED. THE SOURCE SAID THAT WHILE THERE WILL BE NO FIXED TIME, AFTER TWO OR THREE MONTHS THE U.K.D.O.E. WOULD WISH TO INQUIRE WHETHER ANYTHING SERIOUS WERE HAPPENING IN THE NEGOTIATIONS.

8. WITH RESPECT TO BNOC'S NINE BLOCK AWARDS, THE SOURCE
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SAID THESE INCLUDE SOME CLEARLY DESIRABLE AREAS BUT DO NOT REPRESENT THE PICK OF THE BLOCKS. RATHER THEY ARE A RANGE FROM DESIRABLE TO HIGHLY SPECULATIVE.

9. THE SIXTH ROUND'S 40 BLOCK OFFERINGS ARE NO SURPRISE IT HAD BEEN ANTICIPATED THAT FUTURE ROUNDS WOULD BE SMALL. THE FIFTH ROUND OFFERED FIFTY BLOCKS, WHILE THE FOURTH OFFERED OVER A HUNDRED. THE ACTUAL OPENING OF LICENSE OFFERINGS, THE SOURCE ESTIMATED, MIGHT OCCUR IN JUNE OR JULY.

BREWSTER

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